

Conning COO Sees Major Insurance Asset-Management Opportunity in Asia

By Ron Panko

OLDWICK, N.J. - Conning and Co. said it sees a long-term opportunity in Asia to build its business of managing insurance company assets.

Woody Bradford, president and chief operating officer, told Best's News Service some 500 insurers in Asia have more than \$5 trillion in assets. However, only about 10% are managed by third-party companies, and he expects that percentage to increase significantly in coming years.

"We see growth in that marketplace extending a long time, particularly in mainland China," said Bradford. He also expects to see growth in Taiwan, Hong Kong, Korea, Japan, Singapore and other parts of Asia.

Conning, based in Hartford, Conn., manages more than \$85 billion* globally. In June, it announced a joint venture with Cathay Financial Holding Co. Ltd., a financial services provider in Asia, to provide institutional asset management services across the Asia-Pacific region. Bradford declined to discuss terms of that deal.

Bradford said this partnership is better than opening an office on its own. Building a business in the region means competing against the many asset managers that opened doors in the past three or four years, including more than 50 that began business in the past two years, he said.

Overall, Conning has embarked on a program to expand its presence across Europe and Asia at a time capital markets are more interconnected. "Activities in other markets can impact bonds and stocks here," said Bradford. "We've seen that occur in Europe. So having an investment presence in Asia strengthens our investment offering here."

Insurers outsource asset management when they can't generate the ability to do it in house. "Sometimes they don't have the scale," said Bradford. "Sometimes they do it for cross purposes. Occasionally it's due to turnover; an investment officer may leave."

Rich Sega, chief investment officer, told Best's News Service everyone from insurers to retirees are focused on the low yields they are receiving from fixed income and are asking about higher-yielding alternatives to safe investments. "This is where we can add value," he said. "One of the most important things in this time of stress is to reinforce the principle to rely on fundamentals. Don't abandon long-standing prudent principles of investment. The temptation is to widen risk parameters, and that's probably not a good strategy."

Instead, Sega urges companies with good products in good markets and with strong management to adjust their expectations. "They can look for other ways to improve results, whether expenses, product design or pricing," he said. "You just can't get blood out of stone in a market like this."

Currently, Sega said he still likes investment-grade corporate bonds, municipal bonds and high-dividend equities. A strong asset-liability foundation helps insurers to weather the ups and downs of certain kinds of asset classes, like equities, that don't have fixed maturities, he said.

Mortgage-backed securities may have a bad reputation, but Sega said the mortgage markets are large and diverse, and they offer more opportunity than expected. "We had a high allocation," he said. "Not all did poorly. . . We recently went back to overweight once the Fed stopped buying those they were involved in."

Conning also has an active private placement program.

In September, Conning reached an agreement with the Phoenix Cos. to manage that insurer's \$8 billion of assets.

* Correction: At press time, Conning managed almost \$77 billion in assets.

Watch a video report with Bradford and Sega at <http://bcove.me/v89z7479>

(By Ron Panko, senior associate editor, Best's Review: Ronald.Panko@ambest.com) BN-NJ-10-12-2011 1607 ET

